

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 PM-05 NSC-05 SP-02 SS-15  
L-03 CIAE-00 INR-07 NSAE-00 EB-07 AID-05 IGA-02  
OMB-01 TRSE-00 SSO-00 NSCE-00 INRE-00 /063 W  
-----130297 201534Z /53

O R 201436Z JUL 77  
FM AMEMBASSY AMMAN  
TO SECSTATE WASHDC IMMEDIATE 2442  
INFO AMEMBASSY JIDDA  
SECDEF WASHDC

C O N F I D E N T I A L AMMAN 4085

STATE FOR NEA/ATHERTON FROM PICKERING

SECDEF FOR ASD: ISA AND DSAA

E.O. 11652: GDS  
TAGS: MASS, JO, US, SA  
SUBJECT: JORDAN FMS PAYMENTS

REF: A) STATE 168276, B) AMMAN 4058

1. WE ARE IN A CLASSIC CATCH-22 SITUATION REGARDING  
JORDAN'S FMS ACCOUNTS. NO ONE THOUGHT IT WOULD BE  
EASY TO ARRANGE SUCH CREDITS AND HAVE SAUDIS GUARANTEE  
THEM. NEITHER HAVE WE HAD ANY ILLUSIONS ABOUT EASE  
OF COLLECTION AND AS REFTEL (A) MAKES CLEAR, FFB  
SEEMS TO HAVE HANDLED THIS ON A "BUSINESS  
AS USUAL" BASIS IN SPITE OF THE VERY SIGNIFICANT  
EFFORTS IN DSAA AND ELSEWHERE TO AVOID A MASSIVE  
RESTRUCTURING OF JORDANIAN MILITARY AID PROGRAM.

2. IF WE UNDERSTAND THE QUESTION CORRECTLY, LOAN  
IS BETWEEN THE BANK AND JORDAN, WITH SAUDIS AS  
PRIMARY GUARANTOR FOR REPAYMENT OF PRINCIPAL.  
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NO ONE THROUGHOUT THE PROCESS HAS EVER ASSUMED  
JORDAN COULD OR WOULD BE ABLE TO PAY THE PRINCIPAL  
ON THE LOAN IN QUESTION. INDEED IT HAS REMAINED  
STRONGEST POLICY RECOMMENDATION FROM THIS EMBASSY  
THAT AS LONG AS JORDAN GETS BUDGET SUPPORT IT SHOULD  
NEVER BE PERMITTED TO BORROW FUNDS FOR MILITARY  
PURPOSES FROM THE USG. DEPT HAS SUPPORTED THAT VIEW. PAYING

INTEREST ON THESE FUNDS HAS BEEN A DEVIATION FROM THIS POLICY,  
BUT IS WELL WITHIN JORDAN'S PRESENT BUDGETARY CAPABILITIES.

3. THE PROBLEM NOW IS THAT SLOW BILLING AND  
SLOWER SAUDI RESPONSE (AFTER ALL, THIS IS THE FIRST  
OCCASION THIS ISSUE HAS COME UP) FURTHER  
JEOPARDIZES IN A VERY COSTLY AND EXPENSIVE WAY  
JORDAN'S 1976 CREDIT AND 1977 GRANT PROGRAMS.  
THERE SHOULD BE ABSOLUTELY NO QUESTION OF SAUDI  
ARABIA'S CAPACITY TO PAY. IN ADDITION, AFTER THE  
LONG AND DIFFICULT EXERCISE WITH SAMA OVER THE  
1976 PAYMENTS, IT SHOULD BE CLEAR TOO THAT SAUDI  
ARABIA IS WILLING TO PAY. PENALIZING JORDAN WHICH  
CANNOT PAY BY JEOPARDIZING ITS CURRENT PROGRAMS AND SUBJECTING  
IT TO HAZARDS OF INCREASED PRICES DOES NOT SEEM TO US  
LOGICAL. THE LAW MAY INDEED REQUIRE THIS, WE CANNOT  
ANSWER THAT POINT, BUT IF THE LAW DOES NOT REQUIRE  
THIS AND IF AS WE ALL AGREE THE OBLIGATION IS TO  
SAUDI ARABIA, I WOULD LIKE TO MAKE THE STRONGEST  
POSSIBLE RECOMMENDATION THAT WE BEGIN NOW RESTRUC-  
TURING JORDAN'S FY 77 GRANT PROGRAM FROM THE FUNDS  
NOW AVAILABLE FOR THE FY 76 FMS CREDIT. CONTINUING  
TO KEEP HEAT ON JORDAN, WHICH IS PRESUMABLY INTENTION IN THIS CASE,  
WILL NOT INDUCE THE SAUDIS TO PAY  
MORE RAPIDLY. IT REMAINS INCONCEIVABLE TO  
US, SUBJECT TO WHATEVER EMBASSY JIDDA HAS TO SAY,  
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THAT SAUDIS COULD NOT OR WOULD NOT PAY FOR THIS  
OBLIGATION WHICH THEY HAVE UNDERTAKEN IN WRITING.

4. REFTEL (B) PROVIDES ADDITIONAL INFORMATION ON  
JORDANIAN EFFORT TO PAY THE SAUDI ARREARAGE OUT  
OF FUNDS AVAILABLE IN ACCOUNTS IN U.S. AS A WAY OF  
AVOIDING FURTHER JEOPARDY ON THIS SCORE. I BELIEVE  
THIS APPROACH IS ILL-CONCEIVED AND RUNS COMPLETELY  
CONTRARY TO OUR FIRM POLICY ON THIS SUBJECT OF  
FMS CREDIT FOR JORDAN. WE RECOMMEND MOST STRONGLY  
THAT NEITHER DOD NOR DEPARTMENT ENGAGE IN THIS  
ACTIVITY. WE URGE EARLIEST RECONSIDERATION OF THE  
CURRENT HOLD-UP FY 76 FMS CREDIT FUNDS AS THE BEST AND MOST  
SENSIBLE WAY TO SOLVE THE ABOVE PROBLEM.

5. ACTION REQUESTED. EARLIEST REPLY ON RELEASE OF  
JORDAN FY 76 FMS FUNDS TO RESTRUCTURE PROGRAM ON  
THE BASIS THAT SAUDI LIABILITY IS CLEAR AND CAPACITY  
TO PAY UNTARNISHED. PLEASE ALSO ENSURE THAT JORDANIAN  
EFFORTS TO PAY THIS LOAN UNDER A PROVISIO FOR  
U.S. REPAYMENT TO JORDAN WHEN SAUDIS PAY (ALL TO BE KEPT  
CONFIDENTIAL FROM SAUDIS) IS NOT RPT NOT ACTED UPON, AT LEAST

UNTIL WE CAN GIVE THE PROPOSAL FURTHER CONSIDERATION IN LIGHT  
OF REACTION TO ABOVE RECOMMENDATION.  
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NNN

## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MILITARY ASSISTANCE PROGRAMS, DEBT REPAYMENTS  
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**Copy:** SINGLE  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Office:** ACTION NEA  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Reference:** 77 STATE 168276, 77 AMMAN 4058  
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**Review Withdrawn Fields:** n/a  
**SAS ID:** 1811584  
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**Status:** NATIVE  
**Subject:** JORDAN FMS PAYMENTS  
**TAGS:** MASS, JO, US, SA  
**To:** STATE  
**Type:** TE  
**vdkgvkey:** odbc://SAS/SAS.dbo.SAS\_Docs/943a0467-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
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